

2012-106 AUDIT SCOPE AND OBJECTIVES—City of San Jose—Finances and Pension Obligations

The audit by the State Auditor's Office will provide independently developed and verified information related to city of San Jose's (San Jose) operating budget and current and future pension obligations and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Identify San Jose's operating budget, including revenues and expenditures for fiscal years 2009–10 through 2011–12.
3. For fiscal years 2009–10 through 2011–12, identify San Jose's required and actual pension contributions, as well as employees' actual contributions.
4. Identify the source of the pension cost projections and the amounts San Jose is reporting as its official projections for its pension contribution obligation for fiscal years 2011–12 through 2015–16. Determine whether these projections included all relevant factors and were established using actuarial industry standards and guidelines.
5. Identify the sources of any other pension cost projections and the amounts San Jose officials have reported in various correspondence and media outlets as its pension contribution obligation for future fiscal years. Determine the reasons for the difference between these various pension contribution amounts and the amount identified in Step 4 above.
6. Determine whether San Jose and the retirement boards followed applicable laws, rules, and regulations related to their involvement in actuarial reviews and when reporting San Jose's projected pension liabilities.
7. Determine the major factors that contributed to San Jose's need to reduce its expenditures for fiscal years 2009–10 through 2011–12. Determine whether these factors were reasonable and if San Jose had sufficient evidence to support the reductions.
8. For fiscal years 2009–10 through 2011–12, determine the number of positions eliminated as well as the operational areas from which they were eliminated.
9. Review and assess any other issues that are significant to San Jose's operating budget and current and future pension obligations.